

MINUTES

**California Industrial Development
Financing Advisory Commission
915 Capitol Mall, Room 587
Sacramento, California
August 27, 2008**

1. CALL TO ORDER & ROLL CALL

Patricia Wynne, Acting Chair, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:31 a.m.

Members Present: Patricia Wynne for Chairman Bill Lockyer, State Treasurer
Molly Arnold for Michael C. Genest, Director, Department of Finance
Les Kleinberg for John Chiang, State Controller
Preston DuFauchard, California Corporations Commissioner, Department
of Corporations
Stanton Hazelroth for Dale Bonner, Agency Secretary, Business,
Transportation and Housing Agency

Staff Present: Tom Dresslar, Executive Director
Eileen Marxen, Deputy Executive Director

Quorum: The Acting Chair declared a quorum

2. APPROVAL OF JULY 23, 2008 MEETING MINUTES

Ms. Wynne asked if there were any comments from the board members or the public on the July 23, 2008 meeting minutes. There were none.

Preston DuFauchard moved approval of the July 23, 2008 meeting minutes. The motion was seconded, and Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There was no objection, and the item passed unanimously.

3. EXECUTIVE DIRECTOR'S REPORT

Tom Dresslar began the Executive Director's report by noting that CIDFAC staff is in the process of analyzing and developing responses to the comments that were received on the Strategic Plan. He said that the comments were not great in number, and that CIDFAC staff will come back to the board in September with an analysis of the comments and a revised plan that addresses the comments as appropriate. On the legislative front, Mr. Dresslar reported that the recent housing bill passed by Congress and signed by the President includes a provision that allows Federal Home Loan Banks to offer credit enhancement to IDB and other private activity bond issues. He said CIDFAC staff has contacted FHLB representatives regarding the possibility of conducting workshops on the new program for California issuers and practitioners. Finally, Mr. Dresslar reported that, on August 21, 2008, CIDFAC distributed to stake holders and posted on the CIDFAC website the general outline of a proposal to revise the current CDLAC point system for IDB projects. He stated that September 30, 2008 is the deadline for submitting written comments to CIDFAC on the revised point system proposal, and that CIDFAC will conduct a workshop for interested

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parties in October. Mr. Dresslar said that the plan is to have a revised point system in place for use in 2009 that will give greater recognition to sustainable manufacturers, and to the changing nature of manufacturing in California.

Ms. Wynne asked if there were any questions from the board members. There were none.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE INITIAL AND FINAL RESOLUTION FOR TAX-EXEMPT AND TAXABLE BONDS AND REQUEST FOR TAX-EXEMPT BOND ALLOCATION

Staff introduced Frank Pocino, 2400 Company, LLC, Paula Connors, California Enterprise Development Authority (CEDA), and Sam Balisy, Kutak Rock LLP.

- 1) On behalf of the Borrower, 2400 Company, LLC, Pocino Foods Company and/or an established or to be established related or affiliated entity, and the User, Pocino Foods Company, and/or an established or to be established related or affiliated entity, the California Enterprise Development Authority (CEDA)** requested approval of Initial and Final Resolution No. 08-0013 for an amount equal to \$3,665,000 in tax-exempt bonds and \$60,000 in taxable bonds and Allocation Resolution No. 08-0013A for an amount equal to \$3,665,000 in tax-exempt IDB allocation. Bond proceeds will be used for the acquisition and installation of equipment and improvements to an existing facility. Presented by Deanna Hamelin.

Ms. Wynne asked if there were any comments on this transaction.

Mr. DuFauchard commented that he was not present on the board for the 2006 bond offering, and he asked if the project will include improvements and increase the capacity of the exiting facility. He said that he is interested in how much the Company will be able to increase their production capacity.

Mr. Pocino replied that, since the original financing in 2006, the company's product mix has changed. He said that, in addition, food safety requirements have multiplied. Mr. Pocino said, for example, it is important that there is total separation between raw and ready-to-eat foods at the plant. There cannot be any cross contamination. He said that the initial bond financing allowed the company to meet some food safety requirements such as raw and ready-to-eat separation but not all of them. The new financing will allow the company the new food safety requirements. He stated that by doing so, Pocino Foods Company will have a class-A operation.

Mr. DuFauchard asked if there would be an increase in production.

Mr. Pocino replied affirmatively and said that the company should be able to increase production by about 30%.

Mr. Kleinberg asked about job creation and job retention in relation to the 2006 bond issue. He said that, according to staff's analysis, when the last set of bonds were

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approved the company had represented that it was going to hire full-time employees but that has not happened.

Mr. Pocino replied that the company will be bringing on an additional 12 people.

Mr. Kleinberg asked if these people were full-time employees or if they will be contract employees.

Mr. Pocino replied that the company engages an employment contractor to hire a portion of the company employees, and that the contract employees are full time employees. He said that the company does not hire part-time employees.

Mr. Balisy added that, when the initial financing was approved in 2006, the company anticipated it would hire six additional company employees. He said that the company hired 12 employees through an employment contractor instead. He said these contract employees still work a full-time shift but they come from a leasing employer instead of being hiring directly by the company.

Mr. Pocino further stated that conducting background checks and everything else that is required to qualify an individual for employment has become a very time-consuming process that creates certain liability for the company. Mr. Pocino stated that using an employment contractor saves the company time and eliminates the associated liability because the contractor conducts these background checks. He added, the company can assess the contract employee to determine if he or she should be hired as a full-time company employee. He stated that, over a period of time, a majority of contract employees become company employees.

Mr. Kleinberg asked if in fact most of the contract employees do become company employees.

Mr. Pocino replied that 50% of those hired through the employment contractor have become Pocino's employees.

Ms. Wynne asked if there were any public comments. There were none.

Mr. Hazelroth moved approval of 2400 Company, LLC and Pocino Foods Company Project. The motion was seconded, and Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There was no objection, and the item passed unanimously.

Staff introduced James Kordas, GE Government Finance, Inc., Michelle Braden, Arnold Engineering, and John Stoecker, California Municipal Finance Authority.

- 2) **On behalf of A.E. Company or an affiliate dba Arnold Engineering or an affiliates, the California Municipal Finance Authority (CMFA)** requested approval of the Initial and Final Resolution No. 08-0014 for an amount equal to \$4,100,000 in tax-exempt bonds and Allocation Resolution No. 08-0014A for an amount equal to \$4,100,000 in tax-exempt IDB allocation. Bond proceeds will be used for the acquisition and installation of new equipment, including cutting tools,

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machine tools and accessories, and machinist precision measuring devices. Presented by Deanna Hamelin.

Ms. Wynne asked if there were any comments from the representatives, the public or board members. There were none.

Mr. DuFauchard moved approval of A.E. Company dba Arnold Engineering Company Project. The motion was seconded, and Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There was no objection, and the item passed unanimously.

B. REQUEST FOR TAX-EXEMPT BOND ALLOCATION EXTENSION

Staff introduced Tara Dunn, I-Bank, and Sam Balisy, Kutak Rock LLP.

- 1) **On behalf of the Borrower, The South Malt Avenue Corporation and/or affiliates, and the User, I Works US, Inc. and/or affiliates, the California Infrastructure and Economic Development Bank (I-Bank)** requested an extension for the use of allocation from 90 days to 110 days based upon such provision in CDLAC's procedures. This change was incorporated in Amended Allocation Resolution No. 08-0011A. Although the Project remains the same as approved by the Commission at its June 25, 2008 meeting, the I-Bank informed CIDFAC staff that the Borrower changed their letter of credit provider for the bonds from Comerica Bank to City National Bank. Due to this change, the bond closing may be delayed beyond the 90-day deadline. In addition, the underwriter has been changed from Comerica Securities to Stern Brothers & Co. No other changes have been made to the finance structure as reported to the Commission at the June 25, 2008 meeting. Presented by Deanna Hamelin.

Ms. Wynne asked if there were any public comments. There were none.

Mr. Kleinberg moved approval of The South Malt Avenue Corporation and/or affiliates, and the User, I Works US, Inc. and/or affiliates Project. The motion was seconded, and Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There was no objection, and the item passed unanimously.

5. PUBLIC COMMENT

Ms. Wynne asked for public comments. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:46 a.m.

Respectfully submitted,

Tom Dresslar
Executive Director